

1300 365 500
www.tmv.vic.gov.au

A Guide to the Trade Measurement
(Fuel Measurement) Regulations 2002

PW 21533 • 4257 December 2002

Volume Correction of Petrol and Diesel Fuel

Consumer Affairs Victoria



Minister's Message



At the initiative of the Victorian Government, State and Territory Governments across Australia are introducing new laws to regulate the temperature at which automotive petrol and diesel is measured for sale at refineries and terminals.

In Victoria the new requirements were introduced under the *Trade Measurement (Fuel Measurement) Regulations 2002*, which came into operation on 1 December 2002.

The Regulations provide greater certainty and transparency in the measurement and wholesale pricing of fuel, and may enhance the competitive position of resellers.

The new requirements make it mandatory for oil companies, fuel importers and distributors to base the price of certain wholesale sales of fuel on its volume at the Australian Standard Reference Temperature of 15°Celsius.

Fuel resellers are the ones who will gain most from this requirement. They will be able to buy fuel measured at a consistent temperature of 15°C, regardless of the temperature at which the fuel is loaded at the refinery or terminal.

Consumers are not directly affected by the Regulations and retail prices are not expected to fall. However, in the longer term, the benefits to resellers may produce benefits for consumers.

I encourage oil companies, fuel importers and fuel resellers to take advantage of the certainty and transparency in volume measurement provided by the Regulations.

JOHN LENDERS MLC
Minister for Consumer Affairs

Disclaimer

This brochure provides a summary of the key requirements of the *Trade Measurement (Fuel Measurement) Regulations 2002*. Companies delivering petrol and diesel from refineries and terminals should not rely upon the information in this brochure when seeking to determine their legal obligations under the Regulations. This brochure is not intended as a substitute for the Regulations or legal advice. It is recommended that fuel suppliers refer to the Regulations and seek legal advice to ensure their compliance with the Regulations.



Introduction

From 1 December 2002 fuel suppliers in Victoria, including the major oil companies, fuel importers and distributors in certain circumstances, must calculate the price of automotive petrol and diesel sold by wholesale from refineries and terminals and delivered direct to resellers at the volume of the fuel measured at 15°C.

The new requirements are introduced under the *Trade Measurement (Fuel Measurement) Regulations* 2002, which came into operation in Victoria on 1 December 2002. The Regulations amend the *Trade Measurement Regulations* 1995 and are made under the *Trade Measurement Act* 1995 which is concerned with consistent measurement in trade and commerce. Other State and Territory Governments across Australia are also introducing volume correction regulations.

Why have the Regulations been introduced?

The aim of the Regulations is to improve certainty and transparency in the measurement and wholesale pricing of petroleum and diesel measured for sale at refineries and terminals in Victoria.

Petroleum fuels, like all liquids, expand when heated and contract when cooled. As fuel is loaded and measured for sale at refineries and terminals at, sometimes, high temperatures, resellers (distributors and retailers) may, on occasion, have less fuel available for resale once it has been delivered and cools in storage. The Regulations have been introduced to address this problem and mean that for certain sales and deliveries, fuel will be volume corrected. Therefore retailers and distributors will be able to buy fuel at a price based on its volume measured at 15°C, regardless of the temperature at which the fuel is loaded at the refinery or terminal.

15°C is the Australian Standard Temperature for measuring liquid petroleum fuels.

What is volume correction?

Volume correction is the adjustment of the volume of a load of fuel from its volume measured at the loading temperature (at a refinery or terminal) to the volume it would be if measured at 15°C. The price of the fuel is based on the corrected volume. Volume correction is sometimes referred to as 'temperature correction'.

To which fuels do the Regulations apply?

The Regulations apply to petroleum fuels used for automotive purposes and include:

- all petrol such as lead replacement petrol, regular unleaded petrol and premium unleaded petrol; and
- all diesel fuel such as automotive distillate.

What sales are covered by the Regulations?

The Regulations apply to wholesale sales where the fuel is delivered directly from: an oil refinery; refinery connected terminal; seaboard terminal; or associated facility. In the Regulations these facilities are referred to as 'primary storage facilities'.

In Victoria these facilities are:

- the oil refineries at Corio and Altona;
- the refinery connected terminals at Altona, Corio, Newport, Spotswood and Yarraville; and
- the coastal import terminal at Hastings.

How will retailers benefit from the Regulations?

Fuel resellers, including distributors and retailers, who buy fuel which is delivered directly from a refinery or terminal, will receive volume corrected fuel.

The Regulations will impact differently on different groups of resellers and on customers of different suppliers, depending on existing contracts and delivery arrangements. Therefore, it is difficult to predict the impact that volume correction will have on individual retailers, and while wholesale prices may change, this should not increase the overall cost of fuel to resellers. Volume correction will improve fuel resellers' access to volume-corrected fuel and their confidence in the volume measurement of fuel by increasing transparency.

What obligations are placed on retailers?

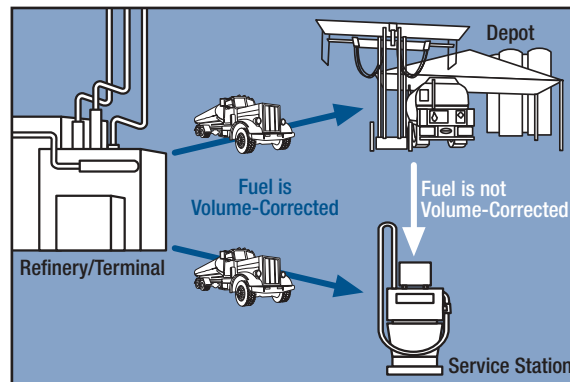
The Regulations do not place any obligations on retailers and they will not be required to volume correct petrol and diesel for sale to their customers.

Will all fuel delivered to retailers be volume corrected?

Not all fuel delivered to retailers will be volume corrected.

Fuel that is delivered directly from a refinery or terminal to a retailer's site will be volume corrected regardless of whether the fuel was purchased from one of the major oil companies, a fuel importer or a distributor.

However, where fuel is delivered to a retailer from a depot or other facility, where the fuel was stored following transport from a refinery or terminal, it will not be volume corrected. In the Regulations, a depot is referred to as a 'fixed storage facility'.



How will retailers know when they are getting volume-corrected fuel?

Retailers will be able to check that they are receiving volume-corrected fuel from their sales and delivery documentation.

While invoices, delivery dockets and other documentation accompanying the wholesale of petrol and diesel fuel will give details of the volume of the fuel calculated at 15°C, invoices will also include the price based on the corrected volume. In some cases, the documentation may include information at both 15°C and the temperature of the fuel at the time of loading at the refinery or terminal.

The documentation, which by law must accompany the delivery of dangerous goods, will provide a trail of the movement of the fuel. This will allow retailers to check whether the fuel has been delivered from a refinery or terminal or from a depot.



What sales are not covered by the Regulations?

Not all sales are required to be volume corrected. Retail sales and certain wholesale sales are exempt under the Regulations and are not required to be volume corrected.

The exempt sales are:

1. Retail sales by oil companies, fuel importers and distributors. These sales include sales to commercial and industrial customers who purchase fuel not for resale but for use in their business; and sales to fuel buying groups, which purchase fuel on behalf of their members who, in turn, are end users of the fuel.
2. Retail sales by distributors and retailers such as sales by distributors to farmers and sales by service stations to motorists.
3. Retail sales made through commission agents.
4. Retail sales using fuel-cards.
5. Wholesale sales where the fuel is delivered from a depot by an oil company, fuel importer or distributor.
6. Consignment sales where the fuel is owned by the supplier while it is held in storage at the retail site and other sales where the volume of the fuel measured for the retail sale is the same as for the previous wholesale sale.

What obligations are placed on oil companies and importers?

The Regulations impose obligations on oil companies and fuel importers supplying petrol and diesel from refineries and terminals.

Under the Regulations these companies must base the wholesale price of each load of fuel offered for sale at a refinery or terminal on its volume corrected to 15°C.

Oil companies and fuel importers will be responsible for ensuring that invoices, delivery dockets and other documentation include relevant information about the volume-corrected sale. Details of the loaded temperature, volume and the format of the information included on documentation are at the discretion of the fuel supplier.

Oil companies and fuel importers will also be responsible for ensuring that procedures and approved equipment to volume correct fuel are in place at refineries and terminals. Where split-compartment loads of fuel are delivered direct from the terminal or refinery, volume correction equipment may also need to be installed on transport vehicles.

What obligations are placed on distributors?

The Regulations require distributors to volume correct fuel for sale in certain circumstances.

Where a distributor buys fuel from an oil company or fuel importer and picks up the fuel at the refinery or terminal and delivers it directly to a retailer, the distributor will be required to volume correct the sale of that fuel and to issue sales and delivery documentation providing details of the volume-corrected sale.

This does not mean that distributors must install additional equipment on their transport vehicles. However, temperature and volume information included in the sales documentation provided by the fuel supplier to the distributor, which is at 15°C, must be included in the distributor's documentation to the retailer.

Distributors may also need to install volume-correction equipment on their transport vehicles if they supply split-compartment loads of fuel from refineries and terminals.



How will fuel-supply contracts be affected?

Every contract should be examined to ensure that it complies with the Regulations.

Some contracts will be directly affected by the Regulations. For example, contracts which include provision for fuel volume loss due to temperature changes, may need to be renegotiated. Also contracts which specify that the wholesale price of fuel is based on volume measured at any temperatures other than 15°C will be unenforceable and will need to be renegotiated.

How will consumers be affected by the Regulations?

It is not expected that there will be any impact on prices for motorists or other consumers in the short term. However, greater transparency and certainty in the market may lead to more competitive pricing in the longer term.

How will commercial customers be affected by the Regulations?

While commercial customers such as industrial, mining, transport companies or farmers will not receive volume-corrected fuel; they may wish to consider negotiating existing or future contracts on a volume-corrected basis.

How will the Regulations be enforced?

Consumer Affairs Victoria will be monitoring compliance with the Regulations. Inspectors will regularly visit refineries and terminals to inspect measuring equipment and will also check the invoices and delivery dockets.

How do I make a complaint?

If you are not receiving volume-corrected fuel and believe that you should be or if you have a concern about your invoice or delivery docket, or other matters concerning volume-corrected fuel, you should first contact your supplier. If your concern is not resolved to your satisfaction you should contact Consumer Affairs Victoria, Trade Measurement.

Complaints may be made:

- by telephone on **1300 365 500**; or
- in writing to
Consumer Affairs Victoria, Trade Measurement
GPO Box 123A
Melbourne VIC 3001; or
consumer@justice.vic.gov.au or
fax **03 9627 6007**.

If you need further information on making a complaint you can visit Trade Measurement Victoria at **www.tmv.vic.gov.au**

Where do I get more information on the Regulations?

Further information including:

- the *Trade Measurement Act* 1995;
- the *Trade Measurement (Fuel Measurement) Regulations* 2002;
- The *Trade Measurement Regulations* 1995 printed on or after 1 December 2002 and incorporating regulation 93A;
- the Guidelines; and
- Scenarios.

is available at **www.tmv.vic.gov.au**

If you have further questions after reading the information in this brochure and on the website, telephone Trade Measurement Victoria on **1300 365 500** or your fuel supplier.